

RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 01-0279591

APPLICATION OF LULING O&G, LLC FOR AN EXCEPTION TO RULE 21 TO PRODUCE MULTIPLE WELLS BY SWABBING ON VARIOUS LEASES IN SALT FLAT FIELD, CALDWELL COUNTY, TEXAS

FINAL ORDER

The Commission finds that, after statutory notice in the above-numbered docket, heard on January 23, 2014, the Examiners have made and filed a report and proposal for decision containing findings of fact and conclusions of law, which was served on all parties of record, and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas.

The Commission, after review and due consideration of the record evidence hereby adopts the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. At least ten (10) days notice of the hearing in these dockets was sent to all parties entitled to notice, and notice was published for four consecutive weeks in a newspaper of general circulation in Caldwell County, Texas.
2. Luling O & G, LLC ("Luling O & G") requests that the Commission grant exceptions to Statewide Rule 21 to permit Luling O & G to produce 54 wells on 15 leases by swabbing as a method of production. **Exhibit "A"** to this Order identifies the leases and wells which are the subject of this application by field name, lease name and number, and API number, and are adopted and incorporated into this finding by reference.
3. The subject wells are completed in the Salt Flat Field in Guadalupe and Caldwell Counties which is in the latter stages of development. Total depth of these wells range from 2530' to 2800'.
4. Luling O & G owns and operates two mobile swabbing units used in swabbing the subject wells. The swabbing units are equipped with a tank into which the oil produced by swabbing is deposited. A sight glass mechanism on the tank enables the swabbing unit operator to measure the oil on a well-by-well basis. When the tank on the swabbing unit is near capacity, the swabbing unit moves to a tank battery into which the oil is pumped.

5. Luling O & G's swabbing operations have been witnessed by Commission District Office personnel.
6. There is minimal risk of pollution or safety hazard resulting from the swabbing operations, if properly conducted, or from the condition of the subject wells.
 - a. All of the wells are low pressure wells.
 - b. Wellhead control on most of the subject wells consists of a steel cap screwed on pipe which extends above ground level.
 - c. Luling O & G's mobile swabbing units are properly equipped to retain oil within the swabbing apparatus and prevent discharges to the ground.
 - d. The wells which are the subject of this application are equipped with casing and cement to the surface to protect usable quality water.
7. Luling O & G's applications have been reviewed by the Field Operations Section of the Commission's Oil and Gas Division, and Field Operations has stated that it has no objection to consideration of the subject leases and wells for Statewide Rule 21 exceptions.
8. Luling O & G's production records and other required reports have been reviewed by the Field Operations Section of the Commission's Oil and Gas Division. Corrections and clarifications were requested, and have been made.
9. Production by Luling O & G from swabbing individual wells on a lease is moved by Luling O & G's swabbing truck to a tank battery authorized in the surface commingling permit and is properly allocated to the lease from which it was produced according to the terms of the permit.
10. All oil produced by Luling O & G from swabbing of wells on the involved leases is properly accounted for pursuant to Statewide Rule 26 (relating to Separating Devices, Tanks, and Surface Commingling of Oil).
11. The applied for fields are suitable candidates for the use of swabbing as a method of production.
 - a. The subject fields are in the very late stages of their producing life. Currently, none of the subject fields have any drive beyond gravity, and the oil flows very marginally into wellbores.
 - b. All of the subject wells were stripped of equipment by prior operators before being taken over by Luling O & G, and the wells are no longer equipped to be produced by pumping.

- c. Suction created by swabbing causes fluids to come into the wells and actually cleans perforations and casing.
 - d. For the subject wells, the estimated average amount of oil per swab is 3.59 bbls, with an estimated 12 swabs per month per well.
 - e. Swabbing is a more efficient and less costly production method as compared to pumping.
 - f. Luling O & G estimates that on average, the involved wells will produce at least four barrels of oil per well per month with swabbing operations.
 - g. Remaining reserves of approximately 11,620 bbls, can be produced with swabbing that will otherwise be left unrecovered.
12. All of the involved wells are equipped with wellheads to maintain surface control.
13. Granting of the requested exceptions to Statewide Rule 21 subject to conditions requiring monitoring of the involved leases for proper wellhead surface control and for compliance with the identification or H2S sign requirements of Statewide Rules 3 and 36 will not result in pollution of usable quality water or safety hazard.
14. Luling O & G's swab truck operators are H2S certified and are required to wear H2S monitors on their belts. Further, during swabbing operations, any H2S associated gas is captured and circulated to a vent mounted on the top of the swabbing truck.
15. Luling O & G presented current leases for each of the associated subject mineral leases with one or more mineral owners.
16. Luling O & G intends to plug its wells as necessary out of operating revenues, and estimates that its plugging costs will average \$8,000.00 per well. Luling O & G is a plugger in the area and has its own well-plugging equipment. It has commenced a program to plug non-producing wells to assure that Luling O & G's operations meet the requirements set out in Commission Rule Statewide 14.
17. Under the previous operator Caltex, these leases had a history of prior violations of Commission rules. See Oil & Gas Docket Nos. 01-0223541, 01-0226631, and 01-0227812. There have been no enforcement orders against Luling O & G., LLC to date.

CONCLUSIONS OF LAW

1. Proper notice of hearing was timely issued by the Railroad Commission to appropriate persons legally entitled to notice.
2. All things necessary to the Commission attaining jurisdiction over the subject matter and the parties in this hearing have been performed.
3. Luling O & G has a good faith claim of a current right to operate the leases and wells.
4. Luling O & G presented sufficient evidence to meet the mandatory and discretionary standards of Statewide Rule 21 [16 TEX.ADMIN. CODE §3.21] for approval of exceptions to permit the swabbing of the applied for wells and leases.
5. Approval of the exceptions to Statewide Rule 21 [16 TEX. ADMIN. CODE §3.21] requested by Luling O & G will prevent the waste of hydrocarbons.

Accordingly, it is **ORDERED** that the application of Luling O & G for exceptions to Statewide Rule 21 to produce by swabbing the leases and wells, attached as **Exhibit "A"** hereto, is hereby **GRANTED**, subject to the following conditions:

CONDITIONS

1. **Wellhead Control.** All wells must remain equipped with wellhead control consistent with the requirements of Statewide Rule 13.
2. **Signage.** The subject lease, wells, and tank batteries must be properly identified with clearly legible identification signs as required by Statewide Rule 3.
3. **On Lease Storage.** All fluids produced by swabbing must be transferred to an on-lease tank battery and be measured before they leave the lease, unless the Commission specifically has authorized off-lease storage.
4. **Production Reporting.** All hydrocarbons produced must be reported to the Commission consistent with the requirements of Statewide Rule 58.
5. **Plugging of Wells.** In the event the wells are plugged, all plugging operations must strictly conform to the requirement of Statewide Rule 14, and upon plugging and abandonment of a well, the authority for the well as granted herein shall cease.

6. **Permit Expiration.** The authority granted herein shall remain valid for as long as Luling O & G is recognized by the Commission as the operator of record for the subject leases. The authority granted herein is, after notice and opportunity for hearing, subject to revocation by the Commission for violations of Commission rules with respect to the subject wells. The authority granted herein is not transferrable.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 20 days after a party is notification of the Commissions' Order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party of interest, this order shall not become final and effective until such motion is overruled, or is such motion is granted, this Order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the parties are notified of the Order.

All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

Done this 27th day of January, 2015, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Divisions' Unprotested Master Order
dated January 27, 2015)**

Luling O&G LLC																											
List of Wells																											
Count	Lease Name	Lease #	Lease Count	Protest/ Withdraw	API #	Field Name	Size	Weight	Surface Casing				Long String				Tubing		Total Depth (ft)	Perforations		Usable Water (ft)	Date Drilled	Distances to Survey Lines	Survey	Sec.	Abstract
									Hole Size	Depth	Sacks Cmt/ Top of Cmt	Cmt Top Source	Hole Size	Depth	Sacks Cmt/ Top of Cmt	Cmt Top Source	Size (in)	Depth (ft)		Upper	Lower						
1	Tiller, J. B. # 1	01443	1		42-055-04625	Salt Flat	8-5/8					4-1/2		7-7/8	2615	300 / Surface			2,606	2,458	2,606	700	Feb-56		Hinds, G.	A-13	
2	Tiller, J. B. # 2	01443	0		42-055-04626	Salt Flat						5-1/2	15.5	7-7/8	2594	Surface			2,594	2,460	2,591	700	Oct-79		Hinds, G.	A-13	
3	Tiller, J. B. # 3	01443	0		42-055-04641	Salt Flat	8-5/8					5-1/2			2635				2,640	2,320	2,602	700	Nov-66		Hinds, G.	A-13	
4	Tiller, J. B. # 4	01443	0		42-055-33746	Salt Flat						5-1/2	15.5	7-7/8	2646	344 / Surface			2,646	2,314	2,595	700	Nov-84	5000' FNL & 3750' FWL	Hinds, G.	A-13	
5	Moses, I. E. -A- # 2	01452	1		42-055-04735	Salt Flat	8-5/8					5-1/2		7-7/8	2643	310 / Surface	Calculation		2,643	2,489	2,585	700	Jan-57		Hinds, G.	A-13	
6	Moses, I. E. -A- # 3	01452	0		42-055-04736	Salt Flat	8-5/8					5-1/2		7-7/8	2643	310 / Surface	Calculation		2,643	2,400	2,460	700	Feb-57		Hinds, G.	A-13	
7	Moses, I. E. -A- # 4	01452	0		42-055-04737	Salt Flat	8-5/8					5-1/2		7-7/8	2643	310 / Surface	Calculation		2,643	2,346	2,590	700	Feb-56		Hinds, G.	A-13	
8	Moses, I. E. -A- # 6	01452	0		42-055-04751	Salt Flat	8-5/8	32.0	12-1/4	55				7-7/8	2674	NA / Surface	Circulation		2,680	2,355	2,640	700	Feb-67		Hinds, G.	A-13	
9	Wright, J. D. # 1	01476	1		42-055-04772	Salt Flat						5-1/2	15.5	7-7/8	2550	338 / Surface			2,550	2,221	2,504	700	Jan-70		Hinds, G.	A-13	
10	Wright, J. D. # 2	01476	0		42-055-04773	Salt Flat						5-1/2	15.5	7-7/8	2550	338 / Surface			2,550	2,214	2,600	700	Dec-69		Hinds, G.	A-13	
11	Wright, J. D. # 3	01476	0		42-055-30072	Salt Flat						5-1/2	15.5	7-7/8	2540	338 / Surface			2,540	2,209	2,495	700	Dec-69		Hinds, G.	A-13	
12	Wright, J. D. # 4	01476	0		42-055-30143	Salt Flat						5-1/2	15.5	7-7/8	2530	338 / Surface			2,530	2,195	2,486	700	Dec-69		Hinds, G.	A-13	
13	Wright, J. D. # 5	01476	0		42-055-04776	Salt Flat						5-1/2	15.5	7-7/8	2551	350 / Surface			2,551	2,419	2,455	700	Apr-80		Hinds, G.	A-13	
14	Wright, J. D. # 6	01476	0		42-055-04777	Salt Flat						5-1/2	15.5	7-7/8	2542	350 / Surface			2,550	2,311	2,459	700	Sep-80		Hinds, G.	A-13	
15	Wright, J. D. # 7R	01476	0		42-055-04778	Salt Flat						5-1/2							2,553	2,328	2,545	700		688' FNL & 4400' FWL	Hinds, G.	A-13	
16	Wright, J. D. # 8	01476	0		42-055-04779	Salt Flat	8-5/8					4-1/2		7-7/8	2548	430			2,550	2,385	2,517	700	Oct-56		Hinds, G.	A-13	
17	Wright, J. D. # 9	01476	0		42-055-30030	Salt Flat						5-1/2	15.5	7-7/8	2556	230 / Surface			2,556	2,223	2,510	700	Jul-69		Hinds, G.	A-13	
18	Tiller, J. R. -C- # 2	01486	1		42-055-04447	Salt Flat	10					7			2670				2,696	2,390	2,546	650	Mar-65		Hinds, J.	A-14	
19	Tiller, J. R. -C- # 3	01486	0		42-055-04448	Salt Flat	10					7			2677				2,610	2,415	2,485	650	Sep-29	206' FSL & 550' FEL	Hinds, J.	A-14	
20	Schackel, Annie et al # 1A	03341	1		42-187-30210	Salt Flat						7	14.0	9-7/8	2695	470 / Surface			2,697	2,392	2,617	950 / 500	Mar-72	6088' FSWL & 84' FNWL	Fuqua, B.	A-22	
21	Schackel, Annie et al # 2	03341	0		42-187-00359	Salt Flat																950 / 500			Fuqua, B.	A-22	
22	Schackel, Annie et al # 3	03341	0		42-187-02876	Salt Flat	8-5/8								2743				2,743	2,429	2,671	950 / 500	Oct-64		Fuqua, B.	A-22	
23	Northcutt, J. B. -A- # 1	04143	1		42-055-30150	Salt Flat						7	24.0	9-7/8	2644	520 / Surface			2,650	2,279	2,565	650	Jun-70		Hinds, J.	A-14	
24	Northcutt, J. B. -A- # 2	04143	0		42-055-30158	Salt Flat						5-1/2	15.5	7-7/8	2603	300 / Surface	Circulation		2,635	2,436	2,579	650	Aug-70		Hinds, J.	A-14	
25	Northcutt, J. B. -A- # 3	04143	0		42-055-30159	Salt Flat						5-1/2	15.5	7-7/8	2640	300 / Surface	Circulation		2,656	2,304	2,586	650	Aug-70		Hinds, J.	A-14	
26	Northcutt, J. B. -A- # 4	04143	0		42-055-30167	Salt Flat						5-1/2	15.5	7-7/8	2626	300 / Surface	Circulation		2,640	2,256	2,562	650	Sep-70		Hinds, J.	A-14	
27	Northcutt, J. B. -A- # 5	04143	0		42-055-30180	Salt Flat						5-1/2	15.5	7-7/8	2653	300 / Surface			2,655	2,310	2,586	650	Oct-70		Hinds, J.	A-14	
28	Hardy, Gus -C- # 9	08203	1		42-055-32753	Salt Flat						4-1/2	9.5	7-7/8	2644	505 / Surface			2,644	2,400	2,580	700	Jun-82	170' FNWL & 4000' FNL	Morris, S.	A-18	
29	New, Mollie # 1	09348	1		42-055-02247	Salt Flat													2,635	2,610	2,620	650	Oct-83	645' FNL & 2770' FEL	Hinds, J.	A-14	
30	New, Mollie # 2	09348	0		42-055-02248	Salt Flat													2,631	2,330	2,607	650	Oct-83	620' FNL & 2220' FEL	Hinds, J.	A-14	
31	New, Mollie # 3	09348	0		42-055-33597	Salt Flat						5	17.0	7-7/8	2660	450 / Surface			2,665	2,396	2,618	650	Oct-84	430' FNL & 1960' FEL	Hinds, J.	A-14	
32	New, Mollie # 4	09348	0		42-055-33942	Salt Flat						5	17.0	7-7/8	2646	414 / Surface			2,649	2,330	2,607	650	Jul-85	150' FNL & 1800' FEL	Hinds, J.	A-14	
33	Hall, Dillon # 1	09367	1		42-055-33481	Salt Flat						5-1/2	15.0	7-5/8	2730	360 / Surface			2,735	2,520	2,710	700	Jan-84	170' FSL & 1600' FWL	Hinds, G.	A-13	
34	Hall, Dillon # 2	09367	0		42-055-33517	Salt Flat						5-1/2	15.5	7-7/8	2735	250 / Surface			2,735	2,513	2,735	700	Feb-84	457' FSL & 1600' FWL	Hinds, G.	A-13	
35	Dillon-Hall -B- # 3	09761	1		42-055-33584	Salt Flat						5	18.0	7-7/8	2800	80 / Surface			2,800	2,500	2,750	700	May-84	1875' FWL & 628' FSL	Hinds, G.	A-13	
36	Hardy, Gus # 22	11600	1		42-055-33727	Salt Flat						5-1/2	15.5	7-7/8	2599	496 / Surface			2,599	2,363	2,540	700	Jul-86	525' FNWL & 4520' FNEL	Morris, S.	A-18	
37	Hardy, Gus -A- # 16	11601	1		42-055-32754	Salt Flat						4-1/2	9.5	7-7/8	2661	496 / Surface			2,661	2,364	2,582	700	Jun-82	2850' FNL & 765' FNWL	Morris, S.	A-18	
38	Hardy, Gus -B- # 18	11602	1		42-055-32755	Salt Flat						4-1/2	9.5	7-7/8	2633	575 / Surface			2,633	2,380	2,590	700	Jun-82	870' FNWL & 3500' FWL	Morris, S.	A-18	
39	Walker, W.B. # 1A	11824	1		42-055-34220	Salt Flat						5-1/2	14.0	7-7/8	2641	316 / Surface	Circulation		2,642	2,396	2,628	700	May-87	3170' FWL & 4222' FSL	Hinds, G.	A-13	
40	Walker, W.B. # 2A	11824	0		42-055-34221	Salt Flat						5-1/2	14.0	7-7/8	2649	316 / Surface	Circulation		2,650	2,448	2,640	700	May-87	3470' FWL & 4221' FSL	Hinds, G.	A-13	
41	Walker, W.B. # 3	11824	0		42-055-04757	Salt Flat						5-1/2	15.5	7-7/8	2689	160 / Surface	Circulation		2,690	2,366	2,644	700	Mar-67		Hinds, G.	A-13	
42	Walker, W.B. # 3A	11824	0		42-055-34222	Salt Flat						5-1/2	14.0	7-7/8	2658	316 / Surface	Circulation		2,659	2,412	2,647	700	May-87	3770' FWL & 4222' FSL	Hinds, G.	A-13	
43	Walker, W.B. # 4A	11824	0		42-055-34223	Salt Flat						5-1/2	14.0	7-7/8	2658	316 / Surface	Circulation		2,667	2,409	2,646	700	Apr-87	4190' FWL & 4224' FSL	Hinds, G.	A-13	
44	Walker, W.B. # 5A	11824	0		42-055-34224	Salt Flat						5-1/2	14.0	7-7/8	2742	316 / Surface	Circulation		2,744	2,423	2,660	700	Apr-87	4535' FWL & 4226' FSL	Hinds, G.	A-13	
45	Walker, C.R. # 1	11918	1		42-055-34304	Salt Flat						5-1/2	14.0	7-7/8	2734	316 / Surface	Circulation		2,739	2,456	2,598	700	Aug-87	5060' FWL & 3960' FSL	Hinds, G.	A-13	
46	Walker, C.R. # 2	11918	0		42-055-34303	Salt Flat						5-1/2	14.0	7-7/8	2740	316 / Surface	Circulation		2,741	2,460	2,560	700	Aug-87	5025' FWL & 3655' FSL	Hinds, G.	A-13	
47	Walker, C.R. # 3	11918	0		42-055-34305	Salt Flat						5-1/2	14.0	7-7/8	2719	316 / Surface	Circulation		2,722	2,508	2,612	700	Sep-87	5060' FWL & 3355' FSL	Hinds, G.	A-13	
48	Walker, C.R. # 4	11918	0		42-055-34356	Salt Flat						5-1/2	14.0	7-7/8	2712	316 / Surface	Circulation		2,712	2,434	2,470	700	May-88	5085' FWL & 4260' FSL	Hinds, G.	A-13	
49	Walker, C.R. # 5	11918	0		42-055-34357	Salt Flat						5-1/2	14.0	7-7/8	2696	316 / Surface	Circulation		2,696	2,444	2,544	700	May-88	5200' FWL & 4550' FSL	Hinds, G.	A-13	
50	Walker, C.R. # 6	11918	0		42-055-34358	Salt Flat						5-1/2	14.0	7-7/8	2709	331 / Surface	Circulation		2,711	2,453	2,578	700	May-88	5360' FWL & 4130' FSL	Hinds, G.	A-13	
51	Walker, C.R. # 7	11918	0		42-055-34359	Salt Flat						5-1/2	14.0	7-7/8	2708	316 / Surface	Circulation		2,711	2,458	2,477	700	May-88	5660' FWL & 4130' FSL	Hinds, G.	A-13	
52	Walker, C.R. # 9	11918	0		42-055-34431	Salt Flat						5-1/2	14.0	7-7/8	2688	316 / Surface	Circulation		2,688	2,453	2,574	700	May-89	5970' FWL & 4670' FNL	Hinds, G.	A-13	
53	Walker, C.R. # 10	11918	0		42-055-34465	Salt Flat						5-1/2	14.0	7-7/8	2724	316 / Surface	Circulation		2,731	2,475	2,567	700	Jan-90	6290' FWL & 4810' FSL	Hinds, G.	A-13	
54	Walker, C.R. # 11	11918	0		42-055-34464	Salt Flat						5-1/2	14.0	7-7/8	2723	316 / Surface	Circulation		2,725	2,544	2,607	700	Jan-90	6560' FWL			